RJR Merchandising

Contract Program Revisions

DRUG FAIR

RJ Reynolds
Tobacco Company

Source: https://www.industrydocuments.ucsf.edu/docs/qncy0000

The Economics of the Cigarette Business have Changed

- Competitive pricing has produced significant changes in cigarette profitability
- This is leading to a new focus in the way we market our products

Source: https://www.industrydocuments.ucsf.edu/docs/qncy0000

New Contract Program

Carton Outlets

Self-Service

Row payments for Full Price and Savings brands are based on Total Industry Volume :

Plan D	500 +	-	$2.50 per row	120 Rows Max.
Plan C	300 - 499	-	$2.10 per row	100 Rows Max.
Plan B	224 - 299	-	$ .50 per row	66 Rows Max.

(Private Label rows not included in contract)

- Retailer to provide RJR with accurate volume information (RJR & Industry)
- Store volumes will be verified and contracted in appropriate category
- RJR Preferred Presence / TCM payments will be discontinued
- All RJR rows, Full Price and Savings, will be paid under same contract
- Package merchandiser payments reflected in current contracts will remain available
- New contracts are effective as of 1/1/94

Source: https://www.industrydocuments.ucsf.edu/docs/qncy0000

New Contract Program

Carton Outlets

Non-Self-Service

Row payments for Full Price and Savings brands are based on Total Industry Volume :

NSS-1			NSS-2		
Plan C	300 - 499	$ .50 per row (Min.=40 / Max.=80 rows)	Plan E	-	$ 1.25 per row
			Plan F	-	$ 1.50 per row
Plan D	500 +	$ 1.00 per row (Min.=40 / Max.=100 rows)	Plan G	-	$ 1.75 per row (Minimum # Rows = 40 / Maximum # Rows = 100)

(Private Label rows not included in contracts)

- Retailer to provide RJR with accurate volume information (RJR & Industry)
- Store volumes will be verified and contracted in appropriate category
- RJR Preferred Presence / TCM payments will be discontinued
- All RJR rows, Full Price and Savings, will be paid under same contract
- New contracts are effective as of 1/1/94

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New Contract Program

Package Outlets — Base

Program Elements:

RJR Full Price display in prime position
RJR Savings brand pack display(s)
RJR enhanced presence/signage

Program Elements	Industry Volume (Avg. Cartons per Week)				
	76 - 99	100 - 149	150 - 199	200 - 249	250 +
Full Participation: Full Price + Savings Displays and RJR Enhanced Presence/Signage	$75	$110	$140	$160	$175

Plan Requirements :

- RJR brand distribution in all price tiers, as required
- No competitive disadvantage for RJR brands
- Equal opportunities for RJR displays and signage
- Placement of RJR displays and POS materials mailed to retail store
- Accurate RJR and Industry volume provided to RJR representative

New contracts are effective as of 1/1/94

Source: https://www.industrydocuments.ucsf.edu/docs/qncy0000

New Contract Program

Package Outlets — Component

Program Elements :
RJR Full Price display in prime position
RJR Savings brand pack display(s)
RJR signage

Program Elements	Industry Volume (Avg. Cartons per Week)				
	76 - 99	100 - 149	150 - 199	200 - 249	250 +
Full Price Displays	$ 25	$ 35	$ 45	$ 55	$ 65
Savings Displays	$ 15	$ 30	$ 35	$ 40	$ 45

Plan Requirements :
- **RJR brand distribution in all price tiers, as required**
- **No competitive disadvantage for RJR brands**
- **Equal opportunities for RJR displays and signage**
- **Placement of RJR displays and POS materials mailed to retail store**
- **Accurate RJR and Industry volume provided to RJR representative**

New contracts are effective as of 1/1/94

Source: https://www.industrydocuments.ucsf.edu/docs/qncy0000

Contract Payment Summary

Current (1993) VS Proposed (1994) :

Avg. Carton Volume 270

No. Qualified Stores 1993 21
No. Qualified Stores 1994 21

	Current	Proposed	Variance
Avg. Payment $ / Mo.	$100.79	$100.23	-$.56
Annual Payment $	$25,400	$25,260	-$140

Source: https://www.industrydocuments.ucsf.edu/docs/qncy0000

Category Profitability

- Focus on *Category Management*
- RDA $'s represent only a small percentage of category profit dollars
- True cigarette profitability comes from :
  - Product selection / Brand style availability
  - Inventory Management / Ordering procedures
  - High-Impact Merchandising / Space management
  - Product pricing / Penny profit strategy
  - Promotion planning / execution
  - Building sales volume

Source: https://www.industrydocuments.ucsf.edu/docs/qncy0000

RJR Partnership in Category Management

- **RJR will continue to assist in the management of your cigarette category**
- **RJR has the fixtures and ability to maximize your merchandising impact**
- **RJR has the tools and expertise to help you optimize your cigarette profits**

We Work for Smokers

We Appreciate Your Business

Source: https://www.industrydocuments.ucsf.edu/docs/qncy0000